

November 3, 2015

A Special Meeting of the City Council of the City of Hickory was held in the First Floor Conference Room of the Municipal Building on Tuesday, November 3, 2015 at 5:37 p.m., with the following members present:

Brad Lail	Rudy Wright	Hank Guess
Bruce Meisner	Aldermen	
Danny Seaver		Jill Patton

A quorum was present.

Also present were: Assistant City Manager Rodney Miller, Assistant City Manager Andrea Surratt, Deputy City Attorney Arnita Dula, City Attorney John Crone, Deputy City Clerk Sarah Prencipe and City Clerk Debbie D. Miller

Staff Present: Government Affairs Manager Yaidee Fox, Parks and Recreation Director Mack McLeod, Public Services Director Chuck Hansen, Planning Director Brian Frazier, Communications and Marketing Manager Dana Kaminske, and Budget Analyst Cameron McHargue

- I. Mayor Wright called the meeting to order. All Council members were present except for Alderman Zagaroli. Alderman Meisner arrived at 5:47 p.m.
- II. Capital Planning Workshop to Discuss Funding for Various Projects

Assistant City Manager Rodney Miller advised that City Manager Mick Berry was attending the Western finals of the volleyball championship in which his daughter was playing for Maiden High School. He introduced Cameron McHargue and advised that he was the new Budget Analyst. Mr. McHargue was a former Town Manager at Spindale and also had worked at the Town of Sylva. He advised that Staff had “kick-started” the budget process and this workshop would serve a couple of purposes. He advised that he wanted to show Council the interaction between the bond projects and the \$40 million dollars. He advised he would also talk about some of the projects that could happen in this current fiscal year.

Mr. Miller presented a PowerPoint presentation to Council. He advised that the projects were somewhat unique and they were not operational, but they are projects that Council should be informed about. He commented that Council was aware of the Lackey Project. Through a Memorandum of Understanding, that Council had previously approved, the City is expecting them to donate five to seven million dollars for a memorial at Geitner Park. They plan to construct a lake house, a performance dock, amphitheater, conservatory, canopy walk, gardens, and an overflow parking lot. The design of this project is underway by TSW. The City’s cost at this point is estimated to be at \$750,000, which will include the main driveway, or a portion thereof, the main parking lot, restrooms, canoe/kayak launch, boat dock and fishing pier. He advised that one unknown would be the operation and maintenance cost. We don’t have an operation and maintenance plan at this time, but have asked for that. Over the coming months that will be developed and we can determine what the City’s ongoing maintenance and operation commitment will be.

Mr. Miller discussed the Kiwanis Park splash pad project. The City will own and maintain that as an addition to the Park operations. Council had authorized a splash pad management team to bring a design and to finalize the features. Based on previous comments at the Council meeting, that could be 10-15-20 features, water bucket, etc. Council wanted it to have a “wow factor”, and to be a regional draw to visitors coming to Hickory. Estimated project cost would be \$250,000 to \$350,000 depending upon the design, number of features, and size of the splash pad. Kiwanis Clubs are planning to raise at least \$100,000 towards the project. The City’s share would be in the \$150,000 to \$250,000 range.

Alderman Lail asked if this was for fiscal year 2016.

Mr. Miller advised that some of this may even be further out. Timing may occur this fiscal year and/or next fiscal year. Mr. Miller discussed the North Carolina Data Campus project, also known as the Multi-Jurisdictional Park; the partnership in Conover, behind Tri-City Baptist, to attract a data campus to the area. We jointly received a \$2.6 million dollar loan from North Carolina Department of Commerce. It is a 55 acre site development, with the addition of water, sewer, electrical, storm water, streets, and sidewalks. The County has the largest share at 57 percent, Hickory 19 percent, Conover 18 percent, Maiden 5 percent and Catawba 1 percent. He advised that the partners share in additional property tax revenues based on investment. He used for example if we land a hundred million dollar company it generates a million dollars in revenue. If the City gets 19 percent of that million dollars in revenue each year annually, that would be the City’s share of the park. He advised that was a seven year loan. The first two years are interest only. The next five years, which starts next fiscal year, the payment will be \$104,806. We are currently paying \$9,880, which is an increase of \$94,926 for next year, and the subsequent four years as well until that loan is payed off. He advised that would be an increase to next year’s budget. Water and sewer are involved, so the City will plan to pay for the water and sewer portion of that project with water and sewer revenues which will help mitigate the general funds commitment to that project.

Mr. Miller discussed Sandy Ridge Road roundabouts. The City had received acknowledgement of a Congestion Mitigation Air Quality (CMAQ) grant of approximately \$3.7 million dollars for next fiscal year. This was originally designed to add lanes at both intersections. When it was determined how much right of way and utility relocation costs were, the roundabout was decided

November 3, 2015

to be a better option. There are two roundabouts planned on Sandy Ridge Road/29th Avenue NE and 16th Street/8th Street Drive/21st Avenue NE. The total project cost is \$4.6 million dollars, the City's 20 percent share is a little over \$924,000. Mr. Miller showed the area on the map, pointing out 29th Avenue and 16th Street, the State Employees Credit Union building, and the location of the roundabout. He pointed out the other intersection, near the two churches approximately ½ mile away, where the other roundabout would be located.

Public Services Director Chuck Hansen advised that the goal was for Sandy Ridge Road to stay two lanes in that area.

Alderman Lail asked if they were signalized roundabouts.

Mr. Hansen advised no.

Alderman Lail asked how the roundabouts were less expensive than right of way and utility relocation than adding lanes.

Mr. Hansen advised that if you are going to a signalized intersection you actually have to four lane that piece of Sandy Ridge Road. By the time you do that and get the additional easements for the powerline relocation you get pretty wide from an acquisition standpoint. The other component, those intersections becoming larger, going to mast arms, there is a lot of cost associated with that. You actually end up with less right of way needing to be acquired. The intersection is actually getting bigger because you are adding lanes. The roundabout footprint isn't as big as you think it is. The one at 21st Avenue is a single lane roundabout and the one at 29th Avenue by Lowe's Food is a two lane roundabout.

Alderman Lail asked if transportation engineers say that is going to function okay un-signalized.

Mr. Hansen stated yes sir.

Alderman Lail was concerned about traffic volumes coming up 29th heading north.

Mr. Hansen advised that this had been sent through Congestion Management, in Raleigh, Department of Transportation to double check the numbers. Their recommendation is 29th Avenue initially will work as a single lane, but the recommendation for future growth is a dual lane. They changed it from a single lane to a dual lane roundabout. The roundabout on 21st will be a single lane and 29th will be a dual lane.

Alderman Seaver asked how much of that estimated cost would be just right of way.

Mr. Hansen guessed somewhere between 15 to 20 percent of it. When overhead utilities are relocated, the City has to provide that new easement for them at the City's expense. That is happening due to changes in Raleigh a few years ago. Instead of telling Duke they are on their own to deal with the relocation, even if the City paid for the pole work the City would still have to get into the easement which would be essentially 15 foot either side of the new line. Part of that is going to be in right of way, the other half gets towards the houses.

Alderman Seaver asked how much difference it would make to bury those lines.

Mr. Hansen stated that it is much more expensive. In reality in talking with Duke, that type of service they would not put underground anyway.

Mr. Miller discussed Cloninger Mill Park. The City initiated a master plan of 79 acres for a future park in 2008. Public meetings were held 2008/2009. The property has many natural features including Falling Creek, waterfall, and a wide variety of vegetation, wildlife, and ecological habitat. Amenities currently proposed are picnicking, walking/bike trails, play areas, disc golf, environmental education, and exercise stations. In 2009 the total project cost was estimated at \$2.9 million dollars. Phase 1 which is access from Cloninger Mill Road, not from the Olde Mill Landing side, was estimated at \$1.3 million dollars. The City received a \$900,000 donation from Outward Bound. If the City was to fund Phase 1, the City's share would be \$400,000, based on the estimates from 2009. We would need to get revised cost estimates.

Alderman Seaver asked if Outward Bound would have special use of the park.

Mr. Miller advised that right now that money was in Fund Balance waiting to be used for Cloninger Mill Park.

Alderman Seaver questioned since they had made the donation that they may want to use that for some of their training.

Mr. Miller advised that there was no restrictions on that at all, it is free and clear, the City's money. Mr. Miller referred to the ten acres and advised that the designer was going back, because it was originally planned to be commercial property and to sell those properties. Council decided to keep that and the designer is reviewing and revising the master plan to incorporate those ten acres into park amenities. That is in the process of being sent to Staff and the Parks and Recreation Commission to weigh-in on that additional ten acres.

Mr. Miller discussed City Park, in April City Council approved a ten year Priority Use Agreement where the Greater Hickory Tennis Association would contribute \$125,000 towards a new picnic shelter, restroom/meeting room facility. The addition of 250 linear feet of paved access road and

1,440 linear feet of eight foot wide paved walkway. We are also planning to expand parking in this park from 20 spaces to 90 spaces, which will also help us with the Lackey project. This will include curb and gutter, area lighting, removal of the existing picnic shelter, restroom facility. As discussed in meetings with the Riverwalk and Lackey project, additional parking will likely be needed in light of the Lackey project expansion. The lake house went from seating 350 people to 500 to 750, and now we are up close to 1,000 people. That triggers additional parking requirements as planning has pointed out. We have to use City Park, Jaycee Park, and whatever parking spaces we have just below the Lackey project. We are working on making sure that we have enough parking spaces in light of their occupancy in the lake house.

Alderman Seaver asked what the Lackey's envisioned happening there with the seating.

Mr. Miller advised that we do not know all the details. Their conservancy would determine what events that they will host. We are too early in that process. Members will be appointed to that conservancy board. Those questions will need to be asked once we get to finalize those agreements. The estimated cost of this project is \$574,000, minus the \$125,000 by Greater Hickory Tennis Association, the balance of \$449,000 will be funded by the City. This one could happen in the current fiscal year.

Alderwoman Patton asked if we knew how much money they had raised to date.

Parks and Recreation Director Mack McLeod commented that they were prepared to distribute that. He has heard anywhere from \$75,000 to \$90,000 that they have already. They have started discussions on their fundraising.

Mr. Miller asked Mr. McLeod to ask them that question and Staff would provide that information to Council in the next Manager's Communication.

Mr. Miller continued his discussion with streetscapes related to the bond project. He advised that we are in need of a zoning overlay consultant. The goal is to strengthen site design standards for private development in areas where streetscape improvements are planned related to bonds. The overlay creates a more uniform appearance of private development regardless of underlying zoning requirements. Coordination on lighting, landscaping, improved signage design and placement, and more efficient ingress/egress with new medians installed in streetscape. Staff has developed an RFQ to hire a planning design firm to develop new regulations for key areas of Hickory. They are estimating the consultant cost to be \$150,000.

Assistant City Manager Andrea Surratt commented that although this one had not been talked about as much with Council, it had come up quite frequently with the Bond Commission. For instance, if we are going to invest in Lenoir Rhyne Boulevard and streetscapes, is our zoning and the site planning rules that dictate how that development is occurring, is it as strong as it could be? Where could it be strengthened? Usually overlay districts create another layer of standards. If you are in this area and the City is making an investment, these are the extra rules that you will follow for strong development right along those roadways. That is something that Staff is looking at, and anticipating the need to do that in various areas like Springs Road, Highway 127, potentially and Old Lenoir Road. Making sure that the zoning rules are strong enough. A consultant could bring a lot to the table to help us with getting that right.

Mr. Miller discussed the wayfinding program to tie into our gateways. There had been discussions about 100 new signs of varying sizes but similar design installed citywide to direct travelers into Hickory from surrounding highways and guide them to multiple public destinations. The original program was developed in 2008, but the great recession prevented implementation at that time. Gateways signage is now a part of the bond program. Five gateways will be developed at key entry points into Hickory. Gateways are usually eye-catching welcome signage with landscaping and/or public art designed to encourage motorists to recognize when they have arrived and to entice others to stop and shop, and dine. The estimated cost of that is \$800,000. This is related to gateways, and if we have five major gateways, and in essence 100 smaller gateways throughout the City.

Mrs. Surratt advised that project has been fully developed by Frazier and Associates. Staff had gone through the plans and updated the signage to include some of the bond projects, city walk, and Riverwalk. Just making sure that everything is still what it needs to be. It is to a point, if Council is interested in working on it, then it can be sent out for final approval through Frazier and Associates architectural firm. Then they could fabricate the signs and install them. She advised that \$800,000 was the cost estimate in 2011, which was estimated by Frazier and Associates. She thought that it might could be done for a little less, maybe not much less. Now we are five years further out.

Mr. Hansen advised that their \$800,000 estimate at the time included some major primary gateway signs that are rolling into the bond program to some extent. If we go to the next level in of signage that will pull a little bit of money out of their estimate that would go towards whatever increases in cost that have evolved since then. The \$800,000 is not wrong, but this is more wayfinding than it is gateway, but it relates to the gateway component in the bond program.

Mrs. Surratt advised that included interstate signage, and some signs that are much taller than pedestrian level that is to be seen along the highway. That includes some right of way acquisitions, fabrication, and installation.

Mr. Hansen commented that it is higher end, pole structure aesthetics, it is not a 4 x 4 post.

November 3, 2015

Alderman Guess asked if lighting was included.

Mr. Hansen stated that they are not lit.

Mrs. Surratt advised that Morganton has a full system of wayfinding, and Newton has some on Highway 16 going through Conover. There are a number of cities who have gotten them.

Mr. Hansen advised Raleigh, and Charlotte.

Mrs. Surratt commented that it would have the logo and directional. Everything is directing you to a public destination. Whether that is the SALT Block, Crowdad's Stadium, or downtown, City Hall. It depends on what angle you are coming from. It is designed to help tourist get around.

Mr. Hansen advised that as part of the process back then, it was to identify those destination points, the targets to lead the public to the destination points. Downtown parking was part of the component as well.

Alderman Seaver asked if there would be any private directions.

Mrs. Surratt replied no.

Alderman Seaver questioned if they wanted to pay a fee could there be.

Mrs. Surratt advised no private businesses, but they would direct to something for example on Highway 70, which would be the Regional Shopping Corridor, or Viewmont Business District, or Old Lenoir Road Business District. She advised those would be the major ones related to shopping.

Alderman Seaver commented that like on interstate highways you see the signs for the restaurants, which they probably pay to be on those signs.

Mrs. Surratt advised that you do.

Mr. Hansen commented that you have to be in close proximity of the interstate for that to happen.

Mr. Miller asked if Council knew the approximate total of those numbers.

Alderman Lail responded \$3.8 million dollars.

Mr. Miller displayed a chart which listed the projects, the funding source, noting the water and sewer funds. He advised that the total project cost was \$14.8 million dollars, with external contributions of about \$11 million dollars; (the Lackey's investment, State grant, and \$900,000 in the bank for Cloninger Mill from Outward Bound); \$11 million dollars in private/State investment, the City's share at approximately \$3.8 million dollars. He advised at Council's last month's meeting in the audit we were at 33 percent of Fund Balance as of June 30, 2015. With Council's goal of 25 percent of our General Fund expenditures we have almost \$1.2 million dollars above that 25 percent that we could spend for these projects, still maintaining that 25 percent goal. In the current year budget we have \$965,000 that went to Capital Reserve that is unobligated, not designated. In prior years we have designated funds for parking, district court, and fuel. Those three items and total amounts as of June 30, are still in Fund Balance in the bank. Miscellaneous Capital Reserve from last year as well has not been spent. That coupled with, if we are able to spend the \$94,000 on water and sewer needs for the North Carolina Data campus in Conover, the total funds that we have is almost \$4 million dollars, rounding up. If we have \$3.8 million dollars in cost we have about \$4 million dollars in the bank to pay for that. This is over and above whatever operating capital budgets that will be done separate and apart from this. These items were not on the "radar" in the normal budget. He advised that they plan to spend these dollars for these project unless Council has a different direction that they would want to go in with any of those eight projects, between the end of this fiscal year and next fiscal year.

Alderman Lail questioned the data campus. The history there is that Council agreed to do it, the land sold to Apple, there was a gain on the sale of the land, \$2.95 million dollars. Why are we having to pay \$100,000? That gain was used to help pay for those improvements.

Mr. Miller advised that the agreement stipulated that those funds went back to the nonprofit which is Scott Millar, the Economic Development Corporation (EDC). They received the money for that.

Alderman Lail referred to an email that said all money will be either distributed through the MJP partners or restricted to property development cost by the EDC. Alderman Lail did not feel that the EDC should be holding on to \$2.95 million dollars.

Mr. Miller advised that they are our non-government arm, they can secure options, for example Park 1764. The County's position was we are using those funds as that real estate development arm to do that. With Hickory at 19 percent, certainly Hickory wants to make sure that they have their fair share of this project. Mr. Miller felt like Hickory had their fair share with Park 1764 because we are not allowing anyone else to be a part of that project. We need to keep an eye on that particular pot of money. Scott Millar can give us a report on that, and use that as seed money, as an option to buy land, etc. The City would not want our 19 percent share of that fund to go to another jurisdiction for economic development.

Alderman Lail commented that some of it might be used to defray the cost of this.

Mr. Miller commented that the problem with that it is not only our share, the County gets 57 percent, so then that money they have for seed money goes away.

Alderman Lail commented they could spend it down to a million dollars and distribute it pro rata.

Mr. Miller confirmed to reduce the loan amount. He commented that Staff could talk to the County about that, obviously they are in the driver's seat at 57 percent of that. Ideally we have someone on the hook. We have from now until July/August to make that decision. He advised maybe we do it for one year, maybe go ahead and pay down a portion of it, it is certainly a conversation that we can have.

Mayor Wright commented that this year the City added \$500,000 to Fund Balance.

Mr. Miller confirmed that was correct.

Mayor Wright asked if he had any thoughts for next year where the City would likely end up.

Mr. Miller advised that property tax revenues were up three to five percent compared to last year. Sales tax revenues are doing well. We only have two months in the bank because they are approximately two months in arrears before we get it from Raleigh. He advised that was six to eight percent growth so far. We are expecting that to stay consistent throughout the rest year. Property tax has hurt us the last number of years. We have some development going on and we need to keep that development up. All that adds up to the public tax base that property tax revenues will come in on.

Alderman Guess asked where the City stood on the District Court designation in Hickory.

Mr. Miller advised that the City had asked the County for another lease. We have planned a two year lease with Catawba County. Their Justice Center Facility is supposed to be finished by next year. The agreement that has been worked out with the County is they will continue to lease that facility for District Court for two years. At the point they will decide if they want to take all of the court and have their courtrooms, and the City will have the building back.

Alderman Guess confirmed that they were not going away before two years.

Mr. Miller stated correct. They need the court facility for at least two more years.

Alderman Guess commented that he had heard that they were getting ready to leave.

Mr. Miller commented that rumor had been going around. He advised that they don't have enough parking. He didn't know if they would have enough to open day one. They are already contemplating another parking deck. When you add that many court rooms and that number of people it is very, very difficult. When they opened the parking deck it was full day one. He advised we had at least two more years of that.

Alderman Guess commented that chances are, after that, it will go away.

Mr. Miller advised that was just a designation; that was money that the City has for that building or otherwise. Legally we don't have to spend those funds on that particular building. It is just a lease that the City has with Catawba County.

Alderman Guess asked if the City owned the whole facility.

Mr. Miller replied the District Court Facility, yes.

Mayor Wright commented that is not a legal designation. There are plenty of parking expenses up in those cost.

Mr. Miller confirmed yes. He advised the plan was to target those dollars to help pay for those cost. Mr. Miller advised that he had mentioned the Kiwanis splash pad at a range of \$150,000 to \$250,000. He had used the sum of \$200,000. If the City does something smaller it would be approximately \$150,000. We could keep it at \$200,000. As we get a design from that splash pad management team that number and others may change somewhat.

Alderman Patton asked if Kiwanis was planning to raise more than \$100,000 or just stop at the \$100,000.

Alderman Seaver commented that they would keep raising if they kept receiving.

Alderman Meisner asked if there was any priority of what they would do first.

Mr. Miller replied that Staff had not determined a priority. Staff was pleased that we have the funding mechanisms to pay for those. As things start coming off the board, for example, City Park tennis courts would probably be the first projects on this list that will get done, because that may happen in the spring. At that point we start getting more estimates and then maybe we could prioritize. Especially if one of the numbers significantly increases, we may want to revisit that.

November 3, 2015

Alderman Meisner advised that he was looking at the money expended versus the total cost that the City is getting. The money expended for the Lackey \$750,000 parlay into seven million. That is pretty substantial. The splash pad at \$200,000 we are only getting \$100,000. Cloninger Mill the City is only paying \$400,000, but we are at \$1.3 million.

Mr. Miller commented that there was nothing that said the City could just spend the \$900,000 that we have. Certainly that is not phase one and we would have to go back to the drawing board and pull out some amenities. We have \$900,000 in the bank earning interest.

Alderwoman Patton commented that this is exciting, this is a start of what they had talked about with the bond. Having external contributions to parlay into what we want to do into bigger and better, and more of what we want.

Mr. Miller advised that we would have three times our investment in doing that right. Three times with external contributions.

Alderman Lail questioned on the Capital Reserve typically the policy is 1.5 percent of revenues designated for Capital Reserve. He confirmed that was correct.

Mr. Miller confirmed.

Alderman Lail stated that is for operational and non-recurring type items. We would not spend our entire Capital Reserve on a budget year on these projects? He asked if this was Capital Reserve Fund Balance that was over and above 1.5 percent that is normally budgeted. He asked if that was accumulated.

Mr. Miller advised that the City had spent down the Capital Reserve in the current year budget. He referenced the water and sewer project downtown at Trade Alley, which was three million dollars of that Capital Reserve, and the generator at the water treatment plant. He advised that \$965,000 went into Capital Reserve, not funding a specific project every year. He advised that was the number in the current year budget. Next year's budget would have another \$965,000 - \$970,000, unobligated to replenish that. He advised that was not part of these numbers.

Alderman Lail asked if would be proper to take a whole year's worth of Capital Reserve and spend it on new projects.

Mr. Miller commented that in this year, in this proposal, we would be taking this year's money that would be typically be spent for future years.

Alderman Lail commented for generators, or repairing sewer lines that break, or that storm drain that we are having to pay out of Fund Balance.

Mr. Miller stated correct. In this scenario that would be spending money that had went to Capital Reserve in the current year.

Alderman Lail stated that it would be a shift from the way that it has been done in the past.

Mayor Wright commented that we would be running kind of bare.

Mr. Miller commented absolutely.

Alderman Lail commented that we would be spending everything down.

Mayor Wright replied there is no question this is a big investment. We want have as many cubby holes of money to attack.

Mr. Miller advised that in Capital Reserve there was a small amount of right of way funds left. The bulk of Capital Reserve is water and sewer, and for the water plant. That money is designated for water and sewer. He advised that the Miscellaneous Capital Reserve is non water and sewer. In essence the City's Capital Reserve would be depleted with the exception of water and sewer, and for the water plant by doing this. Until the following year when it could be built back up with the \$965,000 again. Each of these are part of the Capital Reserve, he pointed out the parking, District Court, and fuel designations.

Alderman Guess asked if there was a schedule of when we would lose current debts. He advised that he had heard that the City would be debt free in "x" years.

Mayor Wright asked if it was 2017.

Mr. Miller advised that it is in the debt schedule, he thought it was in the next two years. He commented that there are various forms of debt, for example on the Data Campus, which is a portion of that debt that is going to be on there for another five years. He advised there are some that rolls off every year. That had not been factored into the numbers.

Alderman Guess commented that would have something to do with things in the long run. He asked if there was a way to project or look at that, if they could have a schedule of what those things would be and what the ramifications of those would be. He thought that it would be interesting to see what debts we are going to be able to pay off and in what period of time, because that will end up being to our advantage.

November 3, 2015

Alderman Seaver commented that \$965,000 for this fiscal year, we are one-third through. We are not going to spend all of that by the end of this regular year.

Mr. Miller advised that we had not planned to spend any of it except for these particular projects.

Alderman Lail asked if discussion had been made with Department heads in regards to the capital projects, and operational functional type projects. He asked if there was going to be any pressures in fiscal year 2016 with regards to personnel, benefit packages, health insurance, and those type of things that we can see looming on the horizon. He recalled that in 2016 the City would not be receiving any privilege license revenue.

Mr. Miller stated that is correct, but we raised the tax rate to accommodate for that, to account for that \$1.1 million dollar loss. We have replaced that revenue source and the potential loss from tax revaluation. We also accounted for that with the tax increase, which was the 6.65 cent tax increase. That revenue is covered. He advised that they had just started the meetings and had met with Finance and Human Resources. City Manager Mick Berry had met with the Fire Department and the Police Department, which are two of our largest departments. He advised that there are capital needs. The Fire Department is probably going to need another fire truck in light of the fact that it takes 12 months to build. Police have some various computer equipment, in-car cameras, and Tasers which can be handled in the operating budget. He advised that they will be meeting with Public Services next week. Mr. Miller's plan would be to finance the next fire truck to spread that payment out because it is a huge payment. He commented \$600,000 for an engine truck or \$1.1 million dollars for a ladder truck was too much to hit. His plan is to spread those cost out, especially in the interest rate environment that we are in, to have more of a steady payment so the budget doesn't have these peaks and valleys. He said he did have concerns with regards to Police because they have a half million dollar radio system that they will have to replaced being two years out.

Alderman Lail asked about the City's biggest expense which is personnel. He asked if there was any pressures there.

Mr. Miller advised that employees would certainly like to get pay raises again. The City had been able to do that for the last couple of years. We are bleeding in health insurance because cost are rising through the roof. That will need to be addressed as well. There are financial pressures there. Mr. Miller advised to date he had not seen any new position request from the four departments. He commented that Staff is accounting for all of that. He advised that the City had banked \$500,000 in Fund Balance last year, revenues over expenditures. Assuming the same year, you would have that \$500,000 in addition to property tax and sales tax growth. We are already seeing increases during the first two or three months. They hope to use those increases to account for any salary and or operating differences. That is the plan.

Mr. Miller continued the discussion with the bond projects. In November 2014 the \$40 million dollar bond referendum passed. We have seven years by State law to issue that debt. Staff has begun to look at what the options are. They think over the next six years we will have two or three bond issues. It could be \$15 million, \$15 million, and \$10 million or \$20 million and \$20 million depending on what projects are selected through this prioritization process and ultimately Councils approval and or blessing on those projects. Right now Staff feels that they would issue that debt in July of 2017, which is fiscal year 2017/2018. That would then necessitate a half year debt payment every six months, or six months from the debt issuance, you have a debt payment every six months semi-annually. We would have a half year debt payment in the spring of 2018. The first tax increase would be targeted in fiscal year 2018/2019. Depending on how many issues and the amount we are looking at a three to four cent property tax increase in that particular year. We would fund this first payment with the money that is in the bank right now. We have to pay for design. We don't know how many projects, or what projects are going to shake out at the end. It had been discussed by Staff to pay for these designs, we will need to advance some funds from Fund Balance, and that we may dip below the 25 percent. Another \$2.4 million dollars would drop us to 20 percent. That \$2.4 million dollars would pay for that design. When we issue bonds in 2017/2018 we would pay ourselves back. That is frontloading or paying in advance with Fund Balance, temporarily dropping that down for approximately a year, then reimbursing ourselves with the bonds when we issue the debt.

Mayor Wright asked when we would need to advance the design funds.

Mr. Miller advised that Freese and Nichols has told them that they will be finished in February. That will be at a City Council meeting. He used for example doing two projects. Council would decide if they want to do \$15 or \$20 million dollars. They could do more but that would necessitate a larger tax increase. Mr. Miller felt that \$15 to \$20 million dollars was what the City needed to issue, one of those two options. For example \$20 million dollars in projects with a projection of next spring. We will have to hire an architect designer. Depending on the projects, streetscapes and gateways would happen quicker. Riverwalk will probably take longer. We would be looking at six months to a year of design. During that six to twelve month time period we would have to pay that designer with these funds during that design process and when they finish. Bids would need to be received. When the construction bids are in hand we would then go to the Local Government Commission and would issue debt in July of 2017.

Alderman Lail asked if it would be fiscal year 2016 that we would have to dip into Fund Balance.

Mr. Miller stated 2016/2017.

November 3, 2015

Mayor Wright asked when we would start the wayfinding for example. He is hearing people say that they want to see something coming out of the ground. He commented that we have got to be making some progress between now and next June. More than saying we hired a designer.

Mr. Miller addressed the Mayor's wayfinding question. He advised that \$800,000 funds are in the bank and that could start at any time. He advised that there was an RFQ ready to go out for that project.

Mrs. Surratt advised that Frazier and Associates are able to look at those plans and confirm that they are ready to go to companies for a bid quote. We are within a month or two to do that. If you were trying to select a project off of the list, that is a fairly fast project and it has already been reviewed by NCDOT. It is really close.

Alderman Guess asked if that had anything to do with the bonds.

Mayor Wright confirmed that they were discussing the bonds and other capital.

Mrs. Surratt commented that the Lackey's are hoping to break ground next summer. That might be a few months off on that timetable, but that is something that would be bond related, not bond directly related but progress.

Mr. Miller advised that Friends of Hickory Park would be coming to Council in January.

Alderwoman Patton asked if Kiwanis would start.

Mayor Wright asked if Kiwanis was planning to have that done by May.

Alderman Seaver advised it did not know.

Mayor Wright commented that initially that they were trying to have it done by May.

Alderwoman Patton commented so there would be some progress.

Alderman Lail concurred with Mayor Wright, if there is a method that the City could use in fiscal year 2016 begin some construction activity with our bonds. If you sequence it, list, design, bid, construct, it obviously stretches it out. He commented maybe it would waste money. Design gateway "x", and gateway "y". That design is coming in and we are starting gateway "x" while we are finishing up gateway "y". He asked how the issuance of the debt would work. How long was the process to that? Could that be done during the fiscal year 2016/2017 as opposed to waiting until 2017?

Mr. Miller advised to issue debt you have to have bids in hand.

Alderman Lail felt like that was doable.

Mr. Miller commented that you could do it a little earlier. He confirmed that Alderman Lail meant not wait until July of 2017 to issue debt. He used a gateway for example, that would be the quickest project, perhaps three to four months for design of a gateway. If we are done in February, we get the green light, May/June they finish design. By the summer they could turn dirt on that project. Mr. Miller felt that would be the fastest that any of the projects could occur, in that particular area, depends on how much money you are going to use for that gateway. If it is the full \$15 million dollars, or maybe it is a \$10 million dollars. It is going to depend on how much of that money that you are going to spend.

Alderman Lail asked if you issue debt you have to have contracts equal to the amount of debt that you are having issued.

Mr. Miller stated yes.

Alderwoman Patton thought that Council would be looking at working the Riverwalk at the same time as the Lackey's, so some of that construction process would all flow together which would move that hopefully up.

Mr. Miller commented that ideally they wanted to start the design on the Riverwalk, the backbone of the city walk, and go ahead and have that designed. Especially with the TIGER grant, we get the design done so that next October the TIGER grant might come our way next year, in addition to streetscapes and/or gateways. He advised that is what the planning committees are working on and ultimately Council will decide in January/February. If you have those designs on the shelf, the Local Government Commission is not going to give you \$10 million dollars to do a \$3 million dollar project.

Alderman Lail commented that it is not wise if you are paying interest on it.

Mr. Miller replied correct. You would want to finance that with your own resources and then pay yourself back. The question is how long can you go? If you have two to three million dollars in design, plus construction of gateway one and/or two, you may not have enough money to fund that until you borrow the money.

Alderman Lail asked if it was smart to spend down everything, which is what was considered in the earlier slide, and not have the power drive going into some of the bond projects.

Alderman Seaver commented that the interest rates might take a jump and cost us more. He questioned what it cost to issue the bonds.

Mr. Miller advised right now he has three percent at next year. An each year after going up 3.5 to 4 percent, and so on.

Mayor Wright confirmed that he was talking about the interest factor.

Alderman Seaver replied yes.

Mayor Wright commented that it is about \$300,000 to \$400,000 dollars to issue for the lawyers and the accountants.

Mr. Miller advised that was different than the actual bonds themselves. He was referring to the interest rate on the bonds.

Alderman Seaver advised he was asking about both.

Mr. Miller advised that you would have financing cost as well, attorney fees, etc.

Alderman Seaver commented it is not like a line of credit construction loan, you are getting the whole amount.

Mr. Miller advised that we would have a financial advisor that would market those and underwriters all across the country and/or world. Anyone in \$1,000 increments can buy City of Hickory bonds.

Mrs. Surratt advised that the point of the workshop too was to let Council know everything that Staff knows about every project. They had checked in with each department. This really is the "lay of the land" for everything not bond related, but still considered capital or long term. They would have a whole menu there to choose from.

Alderman Seaver asked if Council could have the information emailed to them.

Mr. Miller discussed revenue considerations. He discussed one option which was the City of Hickory currently charges all motor vehicles in the City of Hickory a \$5 fee. In the current budget, the State approved an additional \$25, up to \$30 per vehicle that can be charged to citizens across the State in municipalities. We are currently getting \$170,000 from that \$5 vehicle fee. We could charge up to \$25 more, which would bring in an additional \$850,000 per year. That is untagged. Currently the \$5 that we are charging has been earmarked for sidewalks in the City which started back in the mid to late 90's. That is an option. You currently have an available revenue option.

Alderman Guess asked if most other cities did that as well.

Mr. Miller stated that it just came out so we do not know who has enacted it at this point. He advised that Yaidee Fox could do some research on that to see. At this point he didn't know if they had the legal authority, it probably has to do with a budget ordinance. They probably don't have the ability, he would need to check the statute. It may be next fiscal year until they have that.

Alderman Guess asked about the current \$5, how many cities are charging that.

Mr. Miller commented that there are a lot that do but he didn't know the exact number.

Alderman Guess commented that he would be interested in knowing how we compare with other cities around us.

Mayor Wright thought that the \$5 was the maximum anybody could charge.

Mr. Miller advised at that time it was. Legislation just changed in this current budget session.

Mayor Wright stated that nobody has had time to get it in place for this fiscal year. We could be the first. Mayor Wright commented that he had people complaining about the \$5.

Mr. Miller commented that is an option. Mr. Miller advised that when it was first enacted people would call up and ask where their tag was. They thought that they were getting a tag to go on their vehicles. Mr. Miller commented that as we do the Riverwalk, the city walk and amenities like the splash pad as a regional draw for visitors, we really need to get a handle on what the parking fee situation will look like. Is this for out of town residents? Is this a discounted fee for City residents? As these amenities start to take off and we start to get a lot of interest and visitors from elsewhere.

Mayor Wright stated that the convention center parking is earmarked for the debt on the parking deck.

Mr. Miller commented that he would assume that we would commit ours to some sort of parking. There had been discussions about a parking deck on the city walk. We could pledge these dollars, and it would be more palatable to have these dollars go to pay for a parking deck as part

of the city walk. It is that event parking concept. He asked Council to consider that in the coming months as another option for Staff to consider.

Alderman Seaver commented that he would not want to see a parking deck on the Riverwalk.

Mr. Miller responded that Staff was not planning one there. Obviously on the city walk it was decided Hickory Station as the targeted potential location.

Alderman Seaver asked if that would be right below it.

Mr. Miller stated yes.

Alderman Lail commented that parking fees and generating revenues you are not talking about a lot of money in parking.

Mr. Miller recapped, we have the whole bond package. We have a unique situation with the eight projects that we have committed to some, and some that we have not committed to. We have the whole operating budget and will continue to work through that process over the coming months with Budget Analyst Cameron McHargue and the departments.

Alderman Seaver commented that Oslo, Norway is trying to do away with all cars in the city. The intent is to try and keep so much of that out of downtown areas. He wouldn't want to do too many parking deck businesses. Who knows what is happening in the future, technology is advancing so fast.

Alderman Lail commented that he would appreciate more conversation with Council on these items. Full discussion. Some of them they are obviously committed to; Sandy Ridge, Lackey, and the splash pads. Have some conversations about some of the others. We are spending down everything that we have to make all of this happen. He wanted to go into it with "eyes wide open".

Mayor Wright asked what the total Fund Balance was.

Mr. Miller advised a little under \$12 million dollars, which is the 25 percent. He questioned when you say spending you are talking about Capital Reserve dollars.

Alderman Lail commented that he is talking about Capital Reserve and the design fees that we are going to be dipping below 25 percent on. We are going into the bonds this tight without having wiggle room for opportunities that might pop up. He felt it was worth a discussion.

Mayor Wright felt that it was worth a discussion and that they need to know if they can pay themselves back out of bond funds.

Mr. Miller advised for the design you can, 100 percent. If you decide to fund a gateway, or something with cash you can refund that within two years, State law allows.

Mayor Wright stated that hearing what Alderman Lail says and recognizing the validity of it, he wanted to point out that at 25 percent General Fund, we haven't spent down to the end. However, we like having that 25 percent and it is a good target for us to have. He really thinks that the most important thing now, as long as we don't do anything to cause us physical anxiety, and stress, or whatever it might be, we need to be getting stuff out of the ground. That is not a political move. People are saying that time is going by. We look back at it and say look at all we have accomplished in the last year. We have got to get some stuff out of the ground. Wayfinding and tennis courts looks like pretty good ones to do, and the splash pad we definitely have to do that.

Mr. Miller advised that the Friends of Hickory Park is probably the first project. In fact they have ordered equipment and it is supposed to be in this month.

Mayor Wright commented that would be good.

Mr. Miller clarified not in the ground but in storage.

Alderwoman Patton asked if they could also find out where Friends of Hickory was on their fundraising. She would like an ideal where they are in meeting their goal, so Council will know where to start.

Mrs. Surratt advised at their last conversation they were approximately \$200,000 away.

Mayor Wright commented that is important but not a substitute for them to be bringing stuff out of the ground.

Mrs. Surratt commented that they have to have everything designed to a point where a contractor can bid on it before we can go to the Local Government Commission to borrow on it. That is the part that is hard. We can't get there fast enough.

Mayor Wright stated that he understood the borrowing. He stated he mentioned wayfinding because we can do these without borrowing. We could have most of the wayfinding finished by the end of the fiscal year.

November 3, 2015

Mrs. Surratt felt that was a fair sense of time

Mayor Wright commented that if we don't say we are going to get it by the end of the fiscal year than we don't get it. Maybe wayfinding isn't the one. He wants them to pick out a million dollars' worth of projects and say we will have them done by the end of the year. That is what people are starting to expect.

III. There being no further business, the meeting adjourned at 6:46 p.m.

Mayor

City Clerk